

August 20, 2015

RE: Comments on Proposed Rulemaking for Member Business Loans, Part 723.

Mr. Gerard Poliquin,
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314-3428

AUG25'15 PM 1:41 BOARD

Dear Mr. Poliquin:

Thank you for taking the time to read my letter and hear my concerns. I am a Vice President with a small community bank in West Central Minnesota. My responsibilities include consumer and commercial lending for our surrounding communities.

I am writing to you today to request for you to withdraw the National Credit Union Administrations proposal to "modernize" the NCUA's member business lending regulation.

In the name of regulatory relief, the NCUA is looking to expand the ability of credit unions to make commercial loans in ways that were never approved by Congress. Despite attempts to pass legislation increasing credit unions' commercial lending authority, Congress has repeatedly rejected those attempts because additional commercial lending authority is inconsistent with the credit unions' tax exempt mission. The NCUA should not grant powers that Congress has repeatedly rejected.

Commercial lending is more complicated and requires a different skillset than consumer lending. The credit union industry has not shown that they have the requisite skills. Several different credit unions failed because of poor performance within their commercial lending portfolios. The NCUA should not be encouraging further credit union commercial lending expansion until the industry proves it has mastered that type of lending.

Credit unions are membership-based organizations. They should focus on serving the needs of their individual members, and especially on individuals of modest means. This proposal gives credit unions the explicit authority to make non-member business loans. Why should credit unions be able to serve anyone outside their defined membership? That makes no sense for a membership-based organization. It is especially egregious that credit unions would have the authority to serve business entities that have no affiliation with the credit union. Not only can they serve them, the loans to these unaffiliated businesses do not even count toward the credit unions' Congressionally-mandated business lending cap. NCUA, with this proposal, you have gone too far. What is next, non-member deposit accounts?

Credit unions receive extremely generous tax advantages, and in exchange for those advantages, credit unions have some limitations. For example, Congress set a cap for credit union commercial lending at 12.25% of total assets. Through various regulatory actions, the NCUA has created multiple exceptions to that rule, rendering the cap meaningless. In this proposed regulation the NCUA has decreed that non-member business loans and non-member commercial participations are exempt from the cap. Congress did not determine that these loans should not count against that cap. That part of the proposed rule is inappropriate. Making that kind of policy determination is a legislative function for Congress, not a regulatory function.

Over time, some credit unions have remained true to the original credit union model. They continue to have a tight common bond, and they continue to focus on serving the credit needs of individuals, and especially people of modest means. Other credit unions have become massive institutions serving wealthy people and corporations. Instead of limiting these non-traditional credit unions, the NCUA rewards them by giving them the additional authorities they want and by requiring no accountability with respect to their "common bond" and their true tax-exempt mission.

Every credit union continues to enjoy their tax exemptions, even though many of them are no longer true to the original credit union mission. There are many examples, but the California credit union that recently committed to paying \$120 million for the naming rights on a professional basketball arena is a great example of how the credit unions abuse their tax advantages. If the NCUA were a true regulator, it would reign in these types of excesses.

Thank you again for taking the time to read my letter and I hope you strive to assist the leadership of the National Credit Union Administration in governing the nation's credit unions based on the rules established by Congress.

Sincerely,

Michael Claunch, VP

Eagle Bank